**Public Services Commission of the**
**United States Virgin Islands**

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FCC Mail Room

**To: Marlene H. Dortch**
**Office of the Secretary**
**Federal Communications Commission**
**445 12th Street, SW**
**Washington, DC 20554**

**Vice President – High Cost & Low Income Division**
**Universal Service Administrative Company**
**2000 L Street, N.W. Suite 200**
**Washington DC 20036**

DOCKET FILE COPY ORIGINAL

**CC Docket 96-45, WC Docket 14-58 – Annual State Certification of Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R. § 54.314**

Pursuant to the requirements of 47 C.F.R. § 54.314, the Virgin Islands Public Services Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that VITELCO is eligible to receive federal high-cost support for the program years cited.

The Public Services Commission of the Virgin Islands certifies for VITELCO that all federal high-cost support provided to that carrier was used in the preceding calendar year (2013) and will be used in the coming calendar year (2015) only for the provision, maintenance , and upgrading of facilities and services for which the support is intended.

I am authorized to make this certification on behalf of the Public Services Commission of the Virgin Islands. This certification is for study area 643300 for the Territory of the United States Virgin Islands.

D~~ated this~~ 29th day of Sept , 2014.

M. Thomas Jackson
Chairman
Virgin Islands Public Services Commission
(340) 778-6010

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September 8, 2014

M. Thomas Jackson, Chairman
Public Services Commission of the
United States Virgin Islands
P.O. Box 40
Charlotte Amalie, USVI 00804



Re: Federal USF Certification – VITELCO

PUBLIC VERSION

Dear Mr. Jackson:

This letter presents GCG's analysis in connection with the annual certification from the Virgin Islands Public Services Commission ("PSC" or "Commission") that VITELCO has complied with Section 254(e) of the federal Telecommunications Act of 1996 ("Federal Act") during calendar year 2013 and will comply in the upcoming calendar year. VITELCO receives monies from interstate universal service funds (USF) that are designated to support local services, build needed infrastructure and improve service quality. Each year, the PSC is required to certify to the Federal Communications Commission ("FCC") and Universal Service Administrative Company ("USAC") that those funds have been and will be used only for the purposes designated in the Federal Act.

Annual certification is required under Section 54.314(a) of the FCC rules. USF will be denied to any "Eligible Telecommunications Carrier" ("ETC") that is not certified by its state regulatory agency. If the Commission does not file the certification with the FCC and USAC by October 1, the ETC will be denied funds for each quarter year the certification is delayed.

Please note that states must certify that federal high-cost and Connect America Fund ("CAF") support was used only for the provision, maintenance and upgrading of the facilities and services for which the support is intended, BOTH for the most recent calendar year AND for the upcoming calendar year. This rule applies regardless of the high-cost or CAF program under which the support was provided. In order for the Commission to be comfortable making this certification, the Commission must rely on the recent performance by VITELCO and on the Commission's ongoing monitoring efforts. Our review was based primarily on performance during calendar year 2013 but was supplemented, where appropriate, by available data for year-to-date 2014.

VITELCO sought confidential treatment for some of the information GCG relied upon for the USAC review. Where it was necessary to include this information in this report, the paragraphs or tables containing the information alleged to be confidential are marked "CONFIDENTIAL" before and after the paragraphs or tables.

**Background**

Section 254(b)(1) of the Federal Act established the principle that affordable and high quality telephone service should be available throughout the United States. "Quality services should be available at just, reasonable, and affordable rates."

Section 254(b)(3) specifically addresses high cost insular areas such as the US Virgin Islands:

> "Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, *including* interexchange services and *advanced telecommunications and information services*, that are *reasonably comparable to those services provided in urban areas* and that are available *at rates that are reasonably comparable* to rates charged for similar services in urban areas." [Emphasis added.]

Thus, the federal universal service programs are designed to

1.) provide funds to increase telephone subscribership by keeping rates as low as possible,

2.) ensure high quality of service,

3.) build telecommunications infrastructure and encourage deployment of advanced services.

In order to accomplish these goals, the Federal Act established an explicit funding mechanism – the USF - under the direction of the FCC. Only ETCs may receive USF support. USF is administered for the FCC by USAC, an affiliate of the National Exchange Carrier Association. Funds collected through a surcharge on end users of interstate services were made available to ETCs in high cost areas until 2012 based on a formula that recognized the higher cost of serving rural areas compared to urban areas.

The FCC made sweeping changes to the federal universal service programs in its November 18, 2011 *USF Transformation Order.* [1] These changes were driven by the fundamental shift in the communications paradigm in the United States from primarily voice grade to a mix of voice grade and broadband. Among these changes was a restructure of the high-cost program into several new funds. Over time, the Connect America Fund ("CAF") will replace the legacy high-cost fund. It is designed to make broadband available in areas that do not, and would not otherwise, have access to adequate broadband services. It is designed to provide support only in those areas where a federal subsidy is needed to ensure the build-out of broadband networks. CAF broadband support will ultimately be distributed based on market driven policies including cost modeling and competitive bidding. (This is referred to as "CAF Phase II"). Price-cap ILECs such as VITELCO will have the option to accept funding based on the broadband cost model currently being developed by the FCC. If they do not chose to accept that funding, competitive bidding by ETCs designated for the state or territory will eventually be used to distribute support.[2] In the interim, high-cost support for price-cap ILECs has been frozen at the same level they received in 2011. Frozen high-cost support will continue for five years once CAF Phase II is implemented[3] unless replaced by broadband support based on the FCC's economic model or competitive bidding.

VITELCO is a price-cap company for interstate telecommunications and federal USF purposes. Since it is not receiving CAF support, its funding is under the Frozen High-Cost support mechanism. For 2013, it received $16,360,728 in Frozen High-Cost USF support.

**ETC Requirements**

On March 17, 2005, the FCC released the *ETC Designation Order*, adopting specific requirements for ETCs granted designation pursuant to Section 214(e)(6) of the Federal Act.[4] These requirements included ongoing reporting obligations. Although these reporting requirements were applicable to federally designated ETCs, the FCC urged the states to adopt the same rules for the ETCs they designated. With a few exceptions, the VI PSC has been applying these requirements in conducting "Use" certifications for several years. In its *USF*

[1] *In the Matter of Connect America Fund, et. al.,* WC Docket No. 10-90, et. al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (released November 18, 2011)("*USF Transformation Order*")
[2] Current rules require the bidders in the auction to be designated as ETCs at the time of their bid. However, the FCC has proposed that a carrier would be allowed to bid even if not currently designated provided it sought ETC designation within 30 days after being notified that it won the bidding. The state regulatory agency would be given a limited amount of time to decide on the petition for ETC designation. See *In the Matter of Connect America Fund, et. al.,* WC Docket No. 10-90, et. al., Report and Order, Declaratory Ruling, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (released June 10, 2014)("*CAF Omnibus Order*")paragraphs 179-185
[3] Implementation of CAF Phase II has been delayed due to issues with the cost model being developed by the FCC. The anticipated implementation date has not yet been released.
[4] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (released March 17, 2005) (the "*ETC Designation Order*").

*Transformation Order*, the FCC extended these reporting requirements to all ETCs, including those designated by the states.[5]

The specific requirements are included in Section 54.313 of the federal rules:

(a) Any recipient of high-cost support shall provide:

(1) A progress report on its five-year service quality improvement plan pursuant to §54.202(a), including maps detailing its progress towards meeting its plan targets, an explanation of how much universal service support was received and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information shall be submitted at the wire center level or census block as appropriate;

(2) Detailed information on any outage in the prior calendar year, as that term is defined in 47 CFR 4.5, of at least 30 minutes in duration for each service area in which an eligible telecommunications carrier is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect

(i) At least ten percent of the end users served in a designated service area; or

(ii) A 911 special facility, as defined in 47 CFR 4.5(e).

(iii) Specifically, the eligible telecommunications carrier's annual report must include information detailing:

(A) The date and time of onset of the outage;

(B) A brief description of the outage and its resolution;

(C) The particular services affected;

(D) The geographic areas affected by the outage;

(E) Steps taken to prevent a similar situation in the future; and

(F) The number of customers affected.

(3) The number of requests for service from potential customers within the recipient's service areas that were unfulfilled during the prior calendar year. The carrier shall also detail how it attempted to provide service to those potential customers;

(4) The number of complaints per 1,000 connections (fixed or mobile) in the prior calendar year;

(5) Certification that it is complying with applicable service quality standards and consumer protection rules;

(6) Certification that the carrier is able to function in emergency situations as set forth in §54.202(a)(2);

(7) The company's price offerings in a format as specified by the Wireline Competition Bureau;

(8) The recipient's holding company, operating companies, affiliates, and any branding (a "dba," or "doing-business-as company" or brand designation), as well as universal service identifiers for each such entity by Study Area Codes, as that term is used by the Administrator. For purposes of this paragraph, "affiliates" has the meaning set forth in section 3(2) of the Communications Act of 1934, as amended.

[5] *USF Transformation Order*, para. 573.

(9) Price cap carriers that receive frozen high-cost support shall provide a certification that at least one-third of the frozen-high cost support the company received in 2013 was used to build and operate broadband-capable networks used to offer the provider's own retail broadband service in areas substantially unserved by an unsubsidized competitor.

In order to facilitate the oversight and certification requirements in Section 54.313, the FCC required all ETCs to file newly created Form 481, Carrier Annual Reporting Data Collection Form, which serves as a vehicle for standardized reporting. The FCC intended for all states to use information on this form in their annual "Use" certifications.

Form 481 was intended to supplement state requirements which could require more detail. Although the FCC temporarily waived the requirement for an ILEC ETC to file a 5-year service improvement plan if it was not already required to have one,[6] the VI PSC required all High-Cost ETCs to file or update their 5-year plans. Consequently, VITELCO was advised by PSC Staff to include an updated plan with this filing.

**VITELCO's Request for Annual USAC Certification**

As in the past annual "Use" certification reviews, VITELCO was asked for the certifications required under Section 54.313, the amount of USF received, local revenues and operating expenses by account, and the jurisdictional separations factors from the latest Part 36 study.

VITELCO submitted its request for certification on July 31, 2014. This submission was generally responsive to the reporting requirements contained in Section 54.313 and the PSC's usual reporting requirements.

The submission included a five year plan for the use of USF for the period FY 2015-FY 2019. VITELCO cautioned that it was difficult to make meaningful projections over a five-year horizon due to uncertainty surrounding the amount of support that may be received. There are still many unanswered questions regarding the rules that apply to carriers that receive frozen support and the amount that could be received from CAF Phase II under a model-driven state level commitment is still unknown. We understand this concern and appreciate VITELCO's efforts to meet the needs of the Commission in the interim.

The submission also included a copy of Form 481, and the revenue, expense and jurisdictional separations data we requested. VITELCO did not include Quality of Service results. Instead, we used the 2013-2014 QoS results submitted in Docket No. 549 in this "Use" certification review.

[6] *In the Matter of Connect America Fund,* WC Docket No. 10-90, Order, DA 14-591 (released May 1, 2014), para. 3

**Analysis of VITELCO's Submission**

Under Section 54.314(a), the PSC must certify that ETCs under their jurisdiction will use USF only for the provision, maintenance and upgrading of facilities and services for which the support was intended. As mentioned earlier, the Federal Telecom Act of 1996 makes it clear that the support was intended to provide affordable, high quality and universally available services to all parts of the Nation, including rural and insular areas such as the Virgin Islands. The Act also intended USF to be used to support the deployment of advanced services. Thus there are three main areas on which we must base our analysis:

1. The extent to which USF was used to subsidize local rates;
2. The extent to which USF was used to upgrade or expand the network to provide basic and advanced services; and
3. The extent to which basic service meets quality standards.

In 2013, VITELCO received $16,360,728 in Frozen High-Cost support. This amount was based on the total received in 2011 without consideration of out-of-period adjustments. Under the previous USF mechanism, VITELCO received $3,505,308 in High Cost Loop Support ("HCLS") which was intended to help defray the costs of operating a local telephone network. The remaining $13 million was provided through the Interstate Common Line Support ("ICLS") program which helped defray interstate revenue requirements that were not recovered through interstate access charge rates.[7] Since ICLS was wholly interstate, it should not be considered when examining the extent to which local rates may have received USF support.[8] On the other hand, the entire amount of Frozen High-Cost support should be considered in the analysis of network enhancements because the network is used jointly for interstate and local services.

We anticipate that Frozen High-Cost support will continue at $16.4 million for at least five years or until either VITELCO accepts a state-level commitment under CAF Phase II or another ETC wins an auction to provide broadband infrastructure in the USVI.

[7] Since the enactment of the Federal Telecommunications Act of 1996, the FCC created a number of mechanisms for allocating and managing USF support. The mechanisms that applied to any particular carrier depended on whether it was rural or non-rural, price-cap or rate of return for interstate access charges, the timing of its conversion to price-caps, whether it served more or less than 50,000 access lines and whether or not it participated in earlier interstate access charge reforms. The result was that carriers received support under a hodge-podge of different rules and regulations.

[8] The FCC's universal service reforms are not expected to materially change the allocation of costs between interstate and local jurisdiction under the Part 36 rules. In the short term until companies can adjust their operations, interstate revenue requirements will stay at approximately the same level as before reform. According to the FCC, "the Commission recognized that the amount of support previously received under the different individual funding mechanisms it eliminated were still necessary for other calculations." For example, some of a carrier's interstate rates during CAF Phase I will still be calculated as if it received the same support as it received on 2011. See *In the Matter of Connect America Fund,* WC Docket No. 10-90, Order, DA 13-2101, (released October 30, 2013), para. 15. Consequently, the $13 million previously provided by ICLS cannot be used for support of local services.

Local Rates

This review is based on the cost and revenue data provided by the company. GCG did not validate it for this analysis. As we noted in last year's report, some of the accounting issues GCG identified in the Transfer of Control proceeding and the 2009 earnings review remain outstanding. For example, the rate base, depreciation rate, plant retirements and corporate operations expenses require further review. Depreciation and Corporate Operations expenses alone account for more than half of the total expenses allocated to local operations through the jurisdictional separations process.

**The paragraph and table below contains information alleged to be CONFIDENTIAL**

Our review took into account all cross-service subsidies and the allocation of regulated costs to the local jurisdiction. Using the data provided by the company, we determined that the 2013 local revenue requirement exceeded local revenues, including directory advertising revenue, by $XXXXXXX.[9] Since this shortfall exceeded the amount of USF attributable to local under the legacy HCL program, it is reasonable for purposes of this proceeding to assume that USF could have been used to make up at least part of the shortfall.

| | | | $ Thousands |
|---|---|---|---|
| | | | 2013 |
| 1 | Local Exchange Revenue Requirement[10] | | $XXXX |
| 2 | Net Local Revenues* | | XXXX |
| 3 | Shortfall | | XXXX |
| 4 | Frozen High Cost Support (Amount attributed to local operations) | | 3,505 |

* Does not include any USF support.

**The paragraph and table above contains information alleged to be CONFIDENTIAL**

[9] Local revenue requirements in 2013 were approximately the same as in 2012 but local revenues declined by 12%. This may be examined in the next VITELCO earnings review. Title 30 requires an earnings review every five years. The last review was initiated in 2009.

[10] Please note that the Local Exchange Revenue Requirement above includes an assumed rate of return of 11.25% which matches the rate that has been used since 1990 by the FCC for interstate regulatory purposes. Last year, the FCC requested comment on a report by its staff suggesting that, as a result of changes in technology, regulation and the marketplace, a more reasonable rate of return would be in a range of 8.06% and 8.72%. The FCC has not yet taken any action on this matter. However, if adopted, VITELCO's Local Exchange Revenue Requirement could drop by about $X.X million.

Network Enhancements

**The paragraph below contains information alleged to be CONFIDENTIAL**

VITELCO submitted a five-year plan that is substantially in compliance with the PSC's requirements in that it includes specific projects along with budget estimates and starting and end dates by location. As could be expected, VITELCO provided more detail in its five-year plan for FY 2015 than for the later years. We reviewed the types of projects that will be funded and determined that they generally support both voice and broadband services. In 2015, $X.X million will be used to connect customers to the new HFC network. $X.X million will be used for central office switching and transmission equipment needed for advanced broadband services. The remainder will be used to cover routine plant replacement, customer line build-outs and capacity upgrades. For 2016 through 2019, most of the planned capex is for routine plant replacement, customer line build outs and capacity upgrades.

**The paragraph above contains information alleged to be CONFIDENTIAL**

Please note that the amounts identified as "Service Quality Improvement" in the chart below are also included as part of local exchange revenue requirements in the discussion above regarding local rates.

Based on the information provided by VITELCO, the amounts of USF not being used to underwrite the shortfall in local revenue requirements are being used appropriately to build or support infrastructure that is needed for both broadband and voice services.

**The table below contains information alleged to be CONFIDENTIAL**

The chart below summarizes the expenditures projected by VITELCO ($000):

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|
| Voice/Broadband Capex | $X,XXX | $X,XXX | $X,XXX | $X,XXX | $X,XXX |
| Service Quality Improvement | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX |
| Total Planned Expenditure | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX |
| Frozen High-Cost Support | 16,361 | 16,361 | 16,361 | 16,361 | 16,361 |

**The table above contains information alleged to be CONFIDENTIAL**

Service Quality

We are pleased to note that the service quality reports for January, 2012 through June, 2014 as submitted by VITELCO show a marked improvement for most metrics starting about

June 2013. In 2012 and the first half of 2013, the objectives were rarely met. Performance was so poor that we recommended that the Commission should consider withholding certification if substantial progress was not made. Although the company still has a long way to go, it is now meeting, or close to meeting, the objectives for installations completed within five days of receiving a customer order as well as handling business office and repair calls.

The worst performance is in clearing repair calls within 24 hours. VITELCO reported that it cleared only 61% of repair calls within 48 hours and only 72% within 72 hours. We urge company management to review the root causes of this poor performance. In our experience, repair performance is usually directly related to allocation of resources or to a breakdown of the processes used to track and time repairs.

| | | Reported Metrics (Weighted Averages) | | | | |
|---|---|---|---|---|---|---|
| Standard | Objective | 1H/2012 | 2H/2012 | 1H/2013 | 2H/2013 | 1H/2014 |
| % Repair Cleared <24hr | 85% | 37% | 42% | 42% | 49% | 50% |
| % Repair Commitment Met | 90% | 78% | 60% | 75% | 82% | 83% |
| % Install Completed<5 days | 90% | 85% | 77% | 71% | 82% | 90% |
| Cust. Svc Calls Answered <20 Sec | 90% | 87% | 57% | 69% | 92% | 92% |
| Repair Calls Answered <20 Sec | 90% | 78% | 66% | 71% | 87% | 89% |

Notwithstanding the improvements noted above, we continue to recommend vigorous monitoring of QoS by the Commission, including review of the company's remediation plans.

Other Requirements

Regarding the other requirements in Section 54.313: of the federal rules:

> VITELCO reported that it did not experience widespread network outages lasting at least 30 minutes or affecting 911 services.
>
> VITELCO reported that it had received 28 requests for service during 2013 that it could not fulfill. This was attributed to the fact that the new HFC network was not 100% completed. We believe the unfulfilled requests are reasonable given the scale of network reconstruction during 2013.
>
> VITELCO reported receiving 1.177 complaints per 1,000 voice access lines and 1.024 complaints per broadband access line. We believe this is reasonable for a company of this size, particularly while reconstructing its network and migrating customers from its antiquated legacy network.
>
> VITELCO certified that it would be able to function in emergency situations.

Finally, VITELCO provided the required information regarding pricing of services, corporate structure and affiliates.

In view of the above, we recommend that VITELCO's request for USAC certification be GRANTED.

**Please note:** There has been a change in the procedures for filing state USF certifications. Starting with this filing, the certification with USAC must be done using USAC's on-line filing system.[11] The attached letter should be filed with the FCC using their ECFS system. We would be happy to assist the Commission in making these filings.

Please call us if you have any questions about this report.

Cordially,

Jim Madan

Jamshed K. Madan

Cc: Walter Schweikert

[11] A User Guide for filing Section 54.314 certifications is available on USAC's website.

Received & inspected

OCT 0 2 2014

FCC Mail Room

**Public Services Commission of the**
**United States Virgin Islands**

**To: Marlene H. Dortch**
**Office of the Secretary**
**Federal Communications Commission**
**445 12th Street, SW**
**Washington, DC 20554**

**Vice President – High Cost & Low Income Division**
**Universal Service Administrative Company**
**2000 L Street, N.W. Suite 200**
**Washington DC 20036**

**RE: CC Docket 96-45, WC Docket 14-58 – Annual State Certification of Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R. § 54.314**

Pursuant to the requirements of 47 C.F.R. § 54.314, the Virgin Islands Public Services Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that Choice Communications, LLC, is eligible to receive federal high-cost support for the program years cited.

The Public Services Commission of the Virgin Islands certifies for Choice Communications, LLC, that all federal high-cost support provided to that carrier was used in the preceding calendar year (2013) and will be used in the coming calendar year (2015) only for the provision, maintenance , and upgrading of facilities and services for which the support is intended.

I am authorized to make this certification on behalf of the Public Services Commission of the Virgin Islands. This certification is for study area 649002 for the Territory of the United States Virgin Islands.

Dated this 29th day of Sept , 2014.

M. Thomas Jackson
Chairman
Virgin Islands Public Services Commission
(340) 778-6010

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September 8, 2014

M. Thomas Jackson, Chairman
Public Services Commission of the
United States Virgin Islands
P.O. Box 40
Charlotte Amalie, USVI 00804

Re: Federal USF Certification – Choice Communications, Docket 589

Dear Mr. Jackson:

This letter presents GCG's analysis in connection with the annual certification from the Virgin Islands Public Services Commission ("PSC" or "Commission") that Choice Communications, LLC ("Choice") has complied with Section 254(e) of the federal Telecommunications Act of 1996 ("Federal Act") during calendar year 2013 and will comply in the upcoming calendar year. Choice receives monies from interstate universal service funds (USF) that are designated to support local services, build needed infrastructure and improve service quality.

Annual certification is required under Section 54.314(a) of the FCC rules. USF will be denied to any "Eligible Telecommunications Carrier" ("ETC") that is not certified by its state regulatory agency. If the Commission does not file the certification with the FCC and USAC by October 1, the ETC will be denied funds for each quarter year the certification is delayed.

Please note that states must certify that USF support was used only for the provision, maintenance and upgrading of the facilities and services for which the support is intended, BOTH for the most recent calendar year AND for the upcoming calendar year. This rule applies regardless of the high-cost or CAF program under which the support was provided. In order for the Commission to be comfortable making this certification, the Commission must rely on the recent performance by Choice and on the Commission's ongoing monitoring efforts. Our review was based primarily on performance during calendar year 2013 but was supplemented, where appropriate, by available data for year-to-date 2014.

**Background**

Until the end of 2011, USF high-cost support was provided on a per-line basis for each working telephone served by a Competitive Eligible Telecommunications Carrier ("CETC") like Choice. The amount of support per line was based on the per-line support provided to the incumbent local exchange carrier, in this case, VITELCO. In 2011, the FCC eliminated the "identical support rule" and started phasing out CETC support over a five year period in order to provide some of the funding for the new Connect America Fund ("CAF") and Mobility Fund. Starting January 1, 2012, monthly support was based on one twelfth of the total support the CETC received in 2011. This amount is called "baseline support." Starting July 1, 2012, support was based on 80% of the monthly baseline support. From July 1, 2013 to June 30, 2014, ETC support drops to 60% of the monthly baseline support. The FCC initially planned to reduce ETC support by another 20% each year until the phase-out is completed in 2017. However, it is now proposing to maintain the 60% level until the competitive bidding process for awarding Mobility Phase II funds is in place.[1] For wireless ETCs that do not win the bid, the phase down would continue after the Mobility Phase II winner is announced. However, for those wireless ETCs whose USF is less than 1% of total wireless revenues, the FCC is proposing to eliminate USF support completely.[2]

Choice received a total of $78,474 in high-cost support during calendar year 2013. This is expected to drop to $67,260 for calendar year 2014 and $56,058 for calendar year 2015. However, if the FCC adopts its proposal for accelerated phase-down of CETC funding, Choice will no longer receive any support in 2015 because USF is less than 1% of total wireless revenues. In view of the limited amount of USF Choice could receive in the future, we limited our review to ensuring that Choice complied with the checklist of reporting items required by the FCC and to a high-level review of Choice's existing five-year plan.

**ETC Requirements**

On March 17, 2005, the FCC released the *ETC Designation Order*, adopting specific requirements for ETCs granted designation pursuant to Section 214(e)(6) of the Federal Act.[3] These requirements included ongoing reporting obligations. Although these reporting requirements were applicable to federally designated ETCs, the FCC urged the states to adopt the same rules for the ETCs they designated. Accordingly, the PSC included these requirements in the Order granting Choice's ETC designation. In its November 18, 2011, *USF Transformation Order*, the FCC extended the reporting requirements to all ETCs, including those designated by the states.[4]

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[1] The timing of Mobility Phase II has not yet been determined by the FCC.

[2] *In the Matter of Connect America Fund, et. al.,* WC Docket No. 10-90, et. al., Report and Order, Declaratory Ruling, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (released June 10, 2014)("*CAF Omnibus Order*"), para. 250.

[3] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (released March 17, 2005) (the "*ETC Designation Order*").

[4] *In the Matter of Connect America Fund, et. al.,* WC Docket No. 10-90, et. al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (released November 18, 2011)("*USF Transformation Order*"), para. 573.

The specific requirements are included in Section 54.313 of the federal rules:

(a) Any recipient of high-cost support shall provide:

(1) A progress report on its five-year service quality improvement plan pursuant to §54.202(a), including maps detailing its progress towards meeting its plan targets, an explanation of how much universal service support was received and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information shall be submitted at the wire center level or census block as appropriate;

(2) Detailed information on any outage in the prior calendar year, as that term is defined in 47 CFR 4.5, of at least 30 minutes in duration for each service area in which an eligible telecommunications carrier is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect

(i) At least ten percent of the end users served in a designated service area; or

(ii) A 911 special facility, as defined in 47 CFR 4.5(e).

(iii) Specifically, the eligible telecommunications carrier's annual report must include information detailing:

(A) The date and time of onset of the outage;

(B) A brief description of the outage and its resolution;

(C) The particular services affected;

(D) The geographic areas affected by the outage;

(E) Steps taken to prevent a similar situation in the future; and

(F) The number of customers affected.

(3) The number of requests for service from potential customers within the recipient's service areas that were unfulfilled during the prior calendar year. The carrier shall also detail how it attempted to provide service to those potential customers;

(4) The number of complaints per 1,000 connections (fixed or mobile) in the prior calendar year;

(5) Certification that it is complying with applicable service quality standards and consumer protection rules;

(6) Certification that the carrier is able to function in emergency situations as set forth in §54.202(a)(2);

(7) The company's price offerings in a format as specified by the Wireline Competition Bureau;

(8) The recipient's holding company, operating companies, affiliates, and any branding (a "dba," or "doing-business-as company" or brand designation), as well as universal service identifiers for each such entity by Study Area Codes, as that term is used by the Administrator. For purposes of this paragraph, "affiliates" has the meaning set forth in section 3(2) of the Communications Act of 1934, as amended.

**Analysis of Choice's Submission**

On June 30,2014, Choice filed a copy of FCC Form 481, which covers most of the checklist items in Section 54.313 in compliance with FCC rules. In response to GCG's follow-up request, on August 13, 2014, Choice filed an update to the five-year plan originally submitted with its ETC application.

Even though USF support has been greatly reduced, Choice continued to build wireless facilities substantially in conformity to the five-year plan commitments made when Choice was granted its ETC designation. USF support is a small fraction of the total construction program. Consequently, we believe the funds were used as intended during 2012.

Choice reported that it had no unfulfilled requests for service and did not have any reportable service outages in calendar year 2013. It also reported that there were no customer complaints. In the absence of evidence to the contrary, we accept these assertions.

Choice indicated that it was in compliance with all service quality standards and consumer protection requirements including those in the CTIA Consumer Code. Choice also certified that it would remain functional in emergencies. We accept Choice's certifications.

In view of the above, we recommend that Choice's request for annual "Use" certification be GRANTED. A draft letter to the FCC and USAC is attached.

**Please note:** There has been a change in the procedures for filing state USF certifications. Starting with this filing, the certification with USAC must be done using USAC's on-line filing system.[5] The attached letter should be filed with the FCC using their ECFS system. We would be happy to assist the Commission in making these filings.

Please call us if you have any questions about this report.

Jim Madan

Cordially,

Jamshed K. Madan

Cc: Walter Schweikert

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[5] A User Guide for filing Section 54.314 certifications is available on USAC's website.

Received & Inspected

OCT 0 2 2014

FCC Mail Room

**54.314(a) State-Certification**
**Submission Year: 2014**

**Re: CC Docket No. 96-45/WC Docket No. 14-58, Annual State Certification of support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R. & 54.314**

Pursuant to the requirements of 47 C.F.R § 54.314, the **The Virgin Island Public Services Commission** hereby certifies to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) that the eligible telecommunications carriers (ETCs) listed below are eligible to receive federal high-cost support for the program years cited.

The **The Virgin Island Public Services Commission** certifies that for the carriers listed all federal high-cost support provided to such carriers within **VIRGIN ISLANDS** was used in the preceding calendar year ( **2013** ) and will be used in the coming calendar year ( **2015** ) only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.[1]

**ETCs CERTIFIED BY The Virgin Island Public Services Commission**

| CARRIER | SAC |
|---|---|
| VITELCO-INNOVATIVE | 643300 |
| Choice Communications, LLC | 649002 |

Signed,

Signature of Certifying State Commission Representative: Certified On-Line

Name of Certifying State Commission Representative: Tisean Hendricks

Title or Position of Certifying State Commission Representative: Legal Support Specialist

Telephone Number of Certifying State Commission Representative: 3407761291 Ext

Email Address of Certifying State Commission Representative: thendricks@psc.gov.vi

Date: 09/29/2014

[1] 47 C.F.R. § 54.314(a) ("Certification. States that desire eligible telecommunications carriers to receive support pursuant to the high-cost program must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that State was used in the preceding calendar year and will be used in the upcoming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. High-cost support shall only be provided to the extent that the State has filed the requisite certification pursuant to this section.")